QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE SGX-ST LISTING MANUAL

1. BACKGROUND

Mirach Energy Limited (the "Company", and together with its subsidiaries, the "Group") was placed on the Watch-List pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 3 December 2015.

In accordance to Rule 1313(2) of the SGX-ST Listing Manual, the Board of Directors of the Company would like to provide the following updates on the financial situation, its future direction as well as other material developments that may impact the Group's position.

2. UPDATE ON FINANCIAL SITUATION

Total revenue for the Group reported was US$0.649 million for the twelve month period ended 31 December 2020. The revenues are generated from property construction and development business, as well as timber logging activities and management services provided to agriculture business partners in Malaysia.

Subcontractor costs are derived from the cost of construction of property in Malaysia and infrastructure cost in relation to the agriculture business in Malaysia. Consultancy fees relate to the agriculture business in Malaysia.

Total loss of US$2.868 million was incurred in 12M2021 as compared to total profit of US$4.051 million earned in 12M2019. It was mainly due to the US$2.695 million decrease in revenue, US$3.928 million decrease in other income, US$1.405 million increase in expected credit loss on trade receivables and US$0.319 million decrease in share of profit from associates. These were offset mainly by the US$0.141 million decrease in staff cost, US$0.386 million decrease in other expenses and the US$0.613 million decrease in income tax.

Revenue in 12M2021 fell by 81% as compared to 12M2019 mainly due to the drop in revenue from management services provided in relation to the agriculture business in Malaysia.

Other income in 12M2021 decreased by 97% as compared to 12M2019 mainly due the US$3.957 million non-recurrent gains recorded in 12M2019, relating to adjustment to payables and provisions in relation to the oil and gas business as well as gain arising from reversal of liabilities.

Depreciation in 12M2021 increased by 32% as compared to 12M2019 mainly due to an addition to rights-of-use assets made in 3Q2019 and its corresponding depreciation being recorded for the full period of 12M2021 but only for a 4-month period in 12M2019. In addition, other expenses in 12M2021 decreased by 37% as compared to the same period in 2019 mainly due to a drop in other consultancy fees paid in relation to the agriculture business in Malaysia.

There was a 95% decrease in income tax expense, which is in line with the loss before income tax in 12M2021 as compared to the profit before income tax in 12M2019.

As a result of the above description, a total comprehensive loss of US$2.804 million was incurred in 12M2021 as compared to a total comprehensive income of US$4.176 million that was generated in 12M2019.

The above cost and earnings analysis relate to the current financial period ended 31 December 2020. Following is additional information relating to the financial year ended 31 December 2019:

The profit before income tax of US$4.698 million contains a non-recurrent other income of US$3.957 million, which resulted from an adjustment to payables and provisions in relation to the termination of oil and gas.

The non-current assets of the Group as at 31 December 2020 decreased by US$0.142 million as compared to 31 December 2019 due the US$0.733 million decrease in trade receivables which has been reclassified to current assets according to its due date. There was also a US$1.036 million decrease in deposits, which has been reclassified to right-of-use assets, as the Use Permit for the first block of concession land in Malaysia was obtained in 19 July 2020. An additional RM2.503 million (approximately US$0.622 million) was also reclassified from prepayments (in current assets) to right-of-use assets, as the lease accounting for the first block of concession land has commenced upon obtaining the Use Permit.

The current assets of the Group as at 31 December 2020 decreased by US$2.597 million as compared to 31 December 2019. This was mainly due to the RM2.503 million (approximately US$0.622 million) that has also been reclassified from prepayments (in current assets) to right-of-use assets, as explained above. There was also a US$0.758 million decrease in cash and cash equivalents during the period. Additionally, there was a US$1.173 million decrease in trade and other receivables, which was mainly due to the US$1.589 million provision of expected credit loss on trade receivables from the agriculture business, as a result of delayed payments from business partners due to COVID-19. These were slightly offset by the final billing being issued for the first construction project in West Malaysia.

The current liabilities of the Group as at 31 December 2020 decreased by US$0.067 million as compared to 31 December 2019. There was mainly due to the decrease in lease liabilities as a result of lease payments made in 12M2021. Included in the trade and other payables is an amount of approximately US$1.119 million (equivalent to RM4.500 million) relating to the final tranche of consideration payable to the vendors of RCL Kelstar Sdn. Bhd.. With reference to the Company's announcement made on 5 March 2020, this final tranche of payment was to be settled via a proposed placement of new ordinary shares in the share capital of the Company. However, settlement via a proposed placement will not proceed due to the Company's current delisting process. Management is still in discussions with the vendors on the terms of settlement.

The non-current liabilities of the Group as at 31 December 2020 increased by US$0.132 million as compared to 31 December 2019. This was mainly due to the US$0.102 million increase in lease liabilities as the lease accounting for the first block of concession land has commenced upon obtaining the use permit.

As a result of the above description, the net current liabilities of the Group increased by US$2.530 million and net assets of the Group decreased by US$2.804 million as at 31 December 2020, as compared to 31 December 2019.

Cash used in operating activities was US$0.606 million in 12M2021.

For more details on the results and financial position of the Group, please refer to the Company's results announcement for the period ended 31 December 2020.

3. UPDATE ON FUTURE DIRECTION

<u>Property and Construction Business</u>

The construction project in West Malaysia was delayed in 2019 for a considerable amount of time due to a restructuring exercise by the project's developer and PMSB has been in discussion with the relevant parties towards a recovery plan since 2019. The discussions were also delayed due to the Movement Control Order ("MCO") which was imposed by the government of Malaysia on 18 March 2020 as a result of the Coronavirus outbreak. On 25 August 2020, PMSB signed a final settlement agreement with the developer and the final settlement amount was supposed to be completed by the fourth quarter of 2020. However, due to the increase in COVID-19 cases and the current Conditional Movement Control Order ("CMCO") imposed, PMSB expects the progress to be further delayed, and is still currently awaiting further updates from the developer regarding the progress of the settlement.

<u>Agriculture Business</u>

As at 31 December 2020, RCL Kelstar Sdn. Bhd. ("RCL") has entered into five separate cooperation agreements with business partners, for the purpose of developing a multi crop agriculture development project on approximately 2,750 acres or 50% of the concession land. The cooperation allows the business partners to engage in the planting, cultivation and harvesting of approved plant species.

RCL will provide services and work with the business partners to facilitate the operations and development of the agriculture land and in turn collect management fees from these business partners.

The COVID-19 outbreak resulted in certain operational delays in the Agricultural Business in 1H2020 due to the precautionary and control measures that have been and continue to be implemented in Mainland China and Malaysia, where RCL's business partners and operations are located in. Despite Malaysia being in Recovery Movement Control Order ("RMCO") since July, RCL's operations were further affected due to the Malaysian government imposing Conditional Movement Control Order ("CMCO") again since 14 October 2020 in selected states, as a result of the increasing number of COVID-19 cases.

Additionally, RCL has completed the logging activities and successfully obtained the Use Permit on 19 July 2020, for the first block of concession land.

In November 2020, RCL received an email request from one business partner to terminate one cooperation agreement. Both parties are still engaged in discussions to find a mutually agreeable resolution.

<u>Management Services Business</u>

The Group's wholly-owned subsidiary Mirach HP Management Pte. Ltd. ("MHPM") provides business and management consultancy services.

Oil and Gas Business

As at 31 December 2020, the Group still retained minority ownership (9%) of the Gunung Kampung Minyak Ltd ("GKM") Oil Field in Indonesia.

The Group has received a letter of intent from the majority shareholder of GKM on 10 November 2020, informing us on their decision to dissolve the GKM KSO contract and wind up GKM, to which the Group agrees with. According to the letter, due to the oil prices remaining extremely low as well as the low production volume as a result of COVID-19, GKM was not able to fulfil the firm commitment to Pertamina on time and will be subjected to the relevant procedures governed by the terms and conditions in the KSO agreement. Therefore, given the existing and unpredictable future financial and operational difficulties that GKM is facing, the majority shareholder of GKM has decided to cease its operations. The Group will continue to monitor the development and will update the shareholders when there is further information.

E-commerce Business

As part of the Group's plans to diversity into the online trading business, the Group acquired full equity interest in Smart Life International Investment Group Co., Limited ("Smart Life"), in Hong Kong in 2019.

Smart Life then acquired a 30% equity interest in Hu Bei ZeGang, a company which specialises in e-commerce, trading of agriculture products and construction material etc. as well as provision of internet information services. The Group recorded a US$0.043 million share of loss and a US$0.046 million share of profit from Hu Bei ZeGang in 4Q2021 and 12M2021 respectively.

Change of financial year end

The Company has changed its financial year end ("FYE") from 31 December to 30 June. Following the change, the current FYE of the Company shall end on 30 June 2021 ("FY2021") and the next audit of the financial statements of the Company shall cover a period of 18 months from 1 January 2020 to 30 June 2021. Details relating to the change of FYE may be found in the Company's announcement dated 16 December 2020.

Incorporation of a new subsidiary

The Company has, on 14 January 2021, incorporated a subsidiary in Malaysia wholly owned by CPHL (HK) Limited ("CPHL"), with the name Wisdom Agri Sdn Bhd ("Wisdom Agri"), and with an issued and paid-up capital of RM100 comprising 100 ordinary shares.

The incorporation of Wisdom Agri is for the Group restructuring purpose and to better manage the future plans of RCL. CPHL has transferred its 70% equity interest in RCL to Wisdom Agri and the restructuring is not expected to have any material impact on the net assets value of the Group.

<u>Others</u>

The Company has, on 4 September 2020, received from the SGX-ST a notification of delisting. Details relating to the notification of delisting may be found in the Company's announcements dated 5 September 2020 and 2 October 2020.

The Singapore Exchange Limited has approved the Company's application for a further time extension, until 26 March 2021, to submit the exit offer proposal and announce the exit offer. Details relating to the extension of time may be found in the Company's announcement dated 27 January 2021.

On behalf of the Board of Directors

Chan Shut Li, William
Executive Chairman

8 February 2021